

May 30, 2025

## Karnataka Housing Board: Rating upgraded to [ICRA]A- (Stable); removed from Issuer Non-Cooperating category

### Summary of rating action

Instrument*	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating action
Long-term – Unallocated	1,000.00	1,000.00	[ICRA]A- (Stable); Upgraded from [ICRA]B+ (Stable) ISSUER NOT COOPERATING and removed from Issuer Not Cooperating category
<b>Total</b>	<b>1,000.00</b>	<b>1,000.00</b>	

\*Instrument details are provided in Annexure I

### Rationale

ICRA has upgraded the rating assigned to the bank limits of Karnataka Housing Board (KHB) and removed the same from the 'ISSUER NOT COOPERATING' category based on adequate information received from the entity for carrying out a detailed credit assessment.

The rating factors in the strategic importance of KHB to the Government of Karnataka (GoK) with the entity playing an important role in providing affordable housing to the different sections of the society including the low-income group within the state. All the board members and senior officials of KHB are appointed by the state government. The rating derives comfort from the low leverage and adequate liquidity of KHB, characterised by a conservative capital structure and a comfortable liquidity position, as reflected by large bank balances. ICRA notes the diversified revenue profile of the board, supported by contractual works received from several GoK departments, which are backed by advance payments and fixed service charges. The rating positively notes the strong credit quality of the state government and KHB's access to external borrowings at competitive rates owing to its strong linkages with the GoK.

The rating, however, remains constrained by the significant volatility in KHB's revenues and cash flows over the years due to its dependence on the real estate demand in the state and timely realisation from the sale of its completed projects. The rating factors in the high unsold inventory levels of housing stocks and work-in-progress projects, leading to high working capital requirements. ICRA, however, notes that working capital requirements are largely met by the advances received for contractual work from the various departments of the GoK, and from the customers of newly launched housing projects, leading to limited reliance on external borrowing. The rating considers the increasing number of pending litigations, especially in land acquisition cases, leading to delays in meeting the project timelines and the risks arising out of high contingent liabilities for KHB. Going forward, the board's ability to improve its revenue and profitability with timely execution of projects and realisation from the sale of completed projects, thereby improving the overall financial profile, would remain the key from the rating perspective.

The Stable outlook reflects ICRA's belief that KHB will benefit from its strategic importance to the GoK and its strong linkages with the state government. Additionally, KHB's growing revenue base, though volatile, would continue to support its steady cash accruals and debt coverage metrics as well as adequate liquidity.

## Key rating drivers and their description

### Credit strengths

**Strategic importance and strong linkages with the state government** – KHB has strong legal, operational and financial linkages with the GoK, evident from the composition of its board, the members of which are senior state government officials. It is the nodal agency responsible for development and construction of houses in Karnataka, an important function for the state government. It carries out acquisition of land across various districts, keeping in line with the vision of equitable residential development, especially for the weaker sections of the society. It is also responsible for development of the acquired land parcels to make them adequate for carrying out commercial activities. Further, KHB receives contractual work to complete important structures of various state government departments, residential colonies, etc, for which it earns a fixed commission. All the board members and senior officials of KHB are appointed by the state government.

**Limited borrowing levels and adequate liquidity position** – The board maintains a comfortable liquidity position on a regular basis with healthy cash and bank balances, largely supported by the advance payments received for carrying out contractual works (civil) for various government departments in the state. KHB did not had any outstanding loans since 2017 as most of its operations were funded through internal accruals/balances. However, in FY2025, it has availed a term loan of Rs. 200 crore to fund the land acquisition-related payments during the initial phase of various schemes. Nevertheless, the overall leverage remains moderate, which is likely to be sustained in the near to medium term.

**Diversified revenue profile including contractual works from state government** – Apart from the sale of flats/ plot, commercial sites, KHB undertakes civil projects for various state government departments/entities (currently more than 30), for which it receives advances from the respective department or the state government (various government departments like the education department, revenue, minority and social welfare). The scope of these projects generally includes construction of buildings, for which KHB receives a commission (approx. 3-7%). The same amount has been earmarked as fixed deposit and KHB utilises these towards expenditure on the construction projects. The interest earned on these FDs, however, are treated as interest income of KHB only.

### Credit challenges

**Volatility in revenues and profitability over the years** – KHB's revenue primarily depends on real estate demand, which is highly dependent on macro-economic factors. It is neither consistent nor uniform across the state, resulting in slower cash flow generation and volatility in revenues over the years. Additionally, the profit margins remain susceptible to fluctuations in raw material costs. Nonetheless, large advances received from the state government departments against contractual work are deposited in bank accounts as fixed deposits, resulting in high interest income. On an average, KHB earns an annual interest income of around Rs. 35-40 crore from these fixed deposits, which largely supports its overall profitability. A similar trend is likely to continue in the medium term as KHB continues to receive increasing number of projects involving contractual work from the GoK departments compared to the launch of new housing projects.

**High and increasing unsold inventory levels of housing units** – The inventory levels of unsold housing stocks has been on rise over the last five fiscals and stood at 5,500 days as of FY2024, coupled with work-in-progress projects leading to high working capital requirements. However, regular advances from customers for the ongoing fresh projects and a significant increase in proportion of contractual work (fixed margin and advance payment) from the state government departments, supports the working capital requirements on an ongoing basis and restricts the working capital borrowing levels.

**High contingent liabilities** – A large number of pending litigations, especially in land acquisition cases, result in delays in meeting the project timelines and increases the risks of contingent liabilities. Land for large fresh projects are being taken up under the land-sharing formula approved by the GoK cabinet. As the landowners are expected to get a significant portion of the developed area, the chances of litigations and delays are likely to reduce gradually over a period.

## Liquidity position: Adequate

The board had a substantial cash and equivalents amounting to Rs. 914.1 crore as on March 31, 2024, out of which around Rs. 873.5 crore was in fixed deposits (majority of which is earmarked towards civil projects of various GoK departments). It is noteworthy that the interest earned on these deposits would remain in the books of KHB. The board has Rs. 50-crore sanctioned overdraft (OD) limit, utilisation of which remains modest. It also had Rs. 100 crore of FD-backed OD limit as of March 2024, wherein the company had Rs. 45 crore of buffer as of March 2025. The board has repayment obligations of Rs. 82.5 crore in FY2026 (starting May 2025), which is likely to be adequately met by the liquidity on books, large advances received from its customers and expected cash accruals in FY2026.

## Rating sensitivities

**Positive factors** – The rating can be upgraded if there is a significant improvement in KHB's revenue and cash accruals on a sustained basis, strengthening its overall financial risk profile.

**Negative factors** – The rating can be downgraded if there is a significant decline in KHB's revenues from its core operations, resulting in lower-than-expected cash accruals leading to a deterioration in its financial risk profile on a sustained basis. Further, any significant debt-funded capital expenditure that would impact KHB's capital structure, liquidity and debt protection metrics materially, on a sustained basis would also be a credit negative. The rating could also be downgraded if there is a material deterioration in the credit profile of the state government.

## Analytical approach

Analytical approach	Comments
Applicable rating methodologies	<a href="#">Corporate Credit Rating Methodology</a> <a href="#">State Governments</a>
Parent/Group support	The assigned rating factors in the importance that KHB holds for the GoK as a statutory body to provide housing to various sections of people in Karnataka at an affordable price, along with its strong operational as well as financial linkages with the GoK
Consolidation/Standalone	The rating is based on standalone financial profile of the entity

## About the company

Karnataka Housing Board (KHB) was established under the Karnataka Housing Board Act, 1962 as a successor to the Mysore Housing Board, which was constituted in 1956. The primary objective of KHB is to provide housing to various sections of people in Karnataka at an affordable price, with special emphasis on the economically weaker sections and the low-income group. The entity is administered by the Housing Department of the GoK and it is the nodal agency for delivering housing in the state. KHB is governed by a Board of Directors (BoD), headed by a Chairman (appointed by the GoK). Other members of the BoD are also appointed by the GoK (mainly representatives of various stakeholder departments). The Housing Commissioner, who is also a member of the BoD, is the executive officer and is responsible for regular operations of the board. The Housing Commissioner is supported by the heads of various functions. KHB's headquarter is in Bengaluru and there are coordinating/project offices across the state. At present, KHB has about 600 employees across its offices, out of which 150 are contractual.

### Key financial indicators (audited)

KHB	FY2023	FY2024
Operating income	472.4	414.2
PAT	54.6	4.1
OPBDIT/OI	7.6%	-7.1%
PAT/OI	11.6%	1.0%
Total outside liabilities/Tangible net worth (times)	8.6	0.8
Total debt/OPBDIT (times)	0.1	-2.4
Interest coverage (times)	797.0	-118.0

Source: Company, ICRA Research; All ratios as per ICRA's calculations; Amount in Rs. crore; PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation

### Status of non-cooperation with previous CRA: Not applicable

### Any other information: None

### Rating history for past three years

Current (FY2026)				Chronology of rating history for the past 3 years					
				FY2025		FY2024		FY2023	
Instrument	Type	Amount rated (Rs. crore)	May 30, 2025	Date	Rating	Date	Rating	Date	Rating
Unallocated	Long term	1,000.00	[ICRA]A- (Stable)	-	-	Feb-23-24	[ICRA]B+ (Stable) ISSUER NOT COOPERATING	Jun-23-22	[ICRA]BBB+ (Stable) ISSUER NOT COOPERATING
								Dec-20-22	[ICRA]BB+ (Stable) ISSUER NOT COOPERATING

### Complexity level of the rated instruments

Instrument	Complexity indicator
Long term – Unallocated	Not Applicable

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional or legal aspects. Details on the complexity levels of the instruments are available on ICRA's website: [Click here](#)

#### Annexure I: Instrument details

ISIN	Instrument name	Date of issuance	Coupon rate	Maturity	Amount rated (Rs. crore)	Current rating and outlook
NA	Unallocated	NA	NA	NA	1,000.00	[ICRA]A- (Stable)

Source: Company

#### Annexure II: List of entities considered for consolidated analysis – Not Applicable

## ANALYST CONTACTS

**Ashish Modani**  
+91 22 6114 3414  
[ashish.modani@icraindia.com](mailto:ashish.modani@icraindia.com)

**Suprio Banerjee**  
+91 22 6114 3443  
[supriob@icraindia.com](mailto:supriob@icraindia.com)

**Manish Pathak**  
+91 124 4545397  
[manishp@icraindia.com](mailto:manishp@icraindia.com)

**Devansh Jain**  
+91 124 4545300  
[devansh.jain@icraindia.com](mailto:devansh.jain@icraindia.com)

## RELATIONSHIP CONTACT

**L. Shivakumar**  
+91 22 6114 3406  
[shivakumar@icraindia.com](mailto:shivakumar@icraindia.com)

## MEDIA AND PUBLIC RELATIONS CONTACT

**Ms. Naznin Prodhani**  
Tel: +91 124 4545 860  
[communications@icraindia.com](mailto:communications@icraindia.com)

## HELPLINE FOR BUSINESS QUERIES

+91-9354738909 (open Monday to Friday, from 9:30 am to 6 pm)  
[info@icraindia.com](mailto:info@icraindia.com)

## ABOUT ICRA LIMITED

ICRA Limited was set up in 1991 by leading financial/investment institutions, commercial banks and financial services companies as an independent and professional investment Information and Credit Rating Agency.

Today, ICRA and its subsidiaries together form the ICRA Group of Companies (Group ICRA). ICRA is a Public Limited Company, with its shares listed on the Bombay Stock Exchange and the National Stock Exchange. The international Credit Rating Agency Moody's Investors Service is ICRA's largest shareholder.

For more information, visit [www.icra.in](http://www.icra.in)

## ICRA Limited



### Registered Office

B-710, Statesman House, 148 Barakhamba Road, New Delhi-110001

Tel: +91 11 23357940-45



### Branches



© Copyright, 2025 ICRA Limited. All Rights Reserved.

Contents may be used freely with due acknowledgement to ICRA.

ICRA ratings should not be treated as recommendation to buy, sell or hold the rated debt instruments. ICRA ratings are subject to a process of surveillance, which may lead to revision in ratings. An ICRA rating is a symbolic indicator of ICRA's current opinion on the relative capability of the issuer concerned to timely service debts and obligations, with reference to the instrument rated. Please visit our website [www.icra.in](http://www.icra.in) or contact any ICRA office for the latest information on ICRA ratings outstanding. All information contained herein has been obtained by ICRA from sources believed by it to be accurate and reliable, including the rated issuer. ICRA however has not conducted any audit of the rated issuer or of the information provided by it. While reasonable care has been taken to ensure that the information herein is true, such information is provided 'as is' without any warranty of any kind, and ICRA in particular, makes no representation or warranty, express or implied, as to the accuracy, timeliness or completeness of any such information. Also, ICRA or any of its group companies may have provided services other than rating to the issuer rated. All information contained herein must be construed solely as statements of opinion, and ICRA shall not be liable for any losses incurred by users from any use of this publication or its contents.